MANAGING COMMITTEE
2019 - 2020

PRESIDENT
Nayan A. Shah

IMMEDIATE PAST PRESIDENT
Mayur Shah

PRESIDENT-ELECT
Deepak Goradia

VICE PRESIDENTS
Boman Irani
Harish Patel
Nainesh Shah
Domnic Romell

ADDL. VICE PRESIDENT
Sukhraj Nahar

HON. SECRETARY
Bandish Ajmera

TREASURER
Mukesh Patel

SPECIAL PROJECTS
Parag Munot
Sandeep Raheja
Jayesh Shah
Sanjay Chhabria
Rasesh Kanakia

HON. JOINT SECRETARIES
Navin Makhija
Sandeep Runwal
Shailesh G. Puranik
Dhaval Ajmera
Pratik Patel

JOINT TREASURERS
Nayan Bheda
Munish Doshi

CO-ORDINATORS
Tejas Vyas
Shailesh Sanghvi
Pritam Chivukula

COMMITTEE MEMBERS
Jagdish Ahuja
Jitendra Jain
Deepak Gundecha

INVITEE MEMBERS
Praful Shah
Raajesh Prajapati
Sachin Mirani
Nikunj Sanghavi
Rajeev Jain
Shyamal Mody
Digant Parekh
Rushank Shah
Samyag Shah
Jayesh C. Shah
Sunny Bijlani
Sahil Parikh
Naman Shah
Suhail Khandwani
Ricardo Romell
Harshul Savla

PAST PRESIDENTS
Dharmesh Jain
Vyomesh Shah
Paras Gundecha
Pravin Doshi
Mohan Deshmukh
Mofatraj Munot
Rajnikant Ajmera
Late G. L. Raheja
Late Lalit Gandhi
Late Babubhai Majethia

CREDAI-MCHI UNITS

PRESIDENT, THANE
Ajay Ashar

PRESIDENT, KALYAN-DOMBIVLI
Deepak Mehta

PRESIDENT, MIRA VIRAR CITY
Ashit Shah

PRESIDENT, RAIGAD
Kiran Bagad

PRESIDENT, NAVI MUMBAI
Prakash Baviskar

CREDAI - MCHI

Ref. No.: MCHI/PRES/19-20/102 **December 31, 2019**

To,
Smt. Nirmala Sitharaman
Minister of Corporate Affairs, Finance
Government of India
134, North Block, A- Wing, Shastri Bhawan,
Rajendra Prasad Road, New Delhi – 110 001.

Sub: Suggested Measures for reviving the Real Estate Industry

Respected Sir

We would like to make the following suggestions for improving consumer demand and sentiments and also for reviving the Real Estate Industry for your kind perusal, consideration and roll out in order to achieve Hon'ble Prime Minister vision of Housing for ALL.

➢ **DEMAND REVIVAL:**

a. Any purchase of the property in the last one year by any consumer up to 31st March 2022, the capital value of the property as well as interest paid thereon should be allowed as a deduction over a period of 5 to 7 years as the Government may deem fit.
b. For all kinds of home loan, irrespective of LIG/MIG/HIG, interest should be charged at 5% for the next 2 years and the subsidy under the CLSS Scheme under PMAY should still continue to be given to eligible home buyers.
c. To bring the cost of the residential unit down, the GST at the option of the developer should be allowed to be charged as 5% without ITC or at 8% with ITC.
d. Section 23(5) to charge tax on notional rent on property should be removed.

➢ **FINANCE TO DEVELOPER:**

a. **One Time restructuring:** Until the liquidity situation eases, allowing a one-time restructuring of all developer loans.

b. **RBI to adopt the same definition for Affordable Housing** as has been spelled out and make it a standard definition for the purpose of Section 80IBA of the Income Tax Act, 1961.

➢ **ALTERNATE INVESTMENT FUND:**

a. With regard to AIF the legal framework and necessary amendment is required under IBC to protect the rights of financing agency. The last mile funding done by any financing agency, they should be allowed to take out their last mile fund once the project inflows starts and they will be given preference over all other lenders. Similarly, all other amendments should be carried out so that Lakhs of Crores investment in form AIF's can brought in by International Funds / Financial Institution / HNI's.

We very strongly feel that the above measures will help boost the housing demand in a very big way and we look forward to your support in rolling out of the above measures.

Thanking you,

Yours faithfully,
For **CREDAI- MCHI**

Nayan A. Shah
President

Bandish Ajmera
Hon.Secretary

CREDAI - MCHI
Maker Bhavan II, 4th Floor, 18, V. Thackersey Marg, New Marine Lines, Mumbai - 400 020.
Tel.: 4212 1421, Fax : 4212 1411 / 407 • Email: secretariat@mchi.net • Website: www.mchi.net

Annexure

DEMAND REVIVAL FOR CONSUMERS

a. Any purchase of the property in the last one year by any consumer up to March 2022, the capital value of the property as well as interest paid thereon should be allowed as a deduction over a period of 5 to 7 years as the Government may deem fit.

- If it is for the first house, then it should be allowed, irrespective of its use, whether self-use or rented.
- If it is the second or the third property in the same individual's name, then that property after being ready, should be compulsorily rented out for creating rental stock in the city. By doing so, a developer while insuring sales is also creating social engineering.
- The home buyer in either of the above cases should be allowed to claim deductions under 'any other source of income'. So, effectively this deduction should be allowed under section 80 post computation of the Gross Total Income.

b. **Home Loans at 5% for 2 years**: For all kinds of home loan, irrespective of LIG/MIG/HIG, interest should be charged at 5% for the next 2 years and the subsidy under the CLSS Scheme under PMAY should still continue to be given to eligible home buyers. In order to spur the housing demand once all over again with a policy push for lending under Affordable Housing segment and therein, to the SEPs;

c. **GST at the option of the developer should be allowed:**

The new revised GST scheme for real estate which is effective from 1st April 2019 does not allow availment of ITC for residential projects and requires all residential projects to charge new GST at flat rate of 5% / 1%

Facts for the issue

1. New revised scheme has resulted into increase in construction cost due to burden of input GST.
2. Maintaining records for residential projects with commercial area being more than 15% is a challenge and this option to go for rates with ITC availment would help in such cases

Suggestion for Rationalization

Option to choose from two schemes:

1. New revised scheme of 5% / 1% with no ITC availment and fulfilment of all related conditions like 80/20 rule
2. Avail ITC with a reduced effective output GST rate of 8% (3% for affordable housing units) (old scheme)

The heart and soul of GST is to avoid cascading by allowing input tax credit. With respect to real estate, stamp duty continues to subsist. ITC is a practically ameliorative step to address cascading in real estate.

d. **Section 23(5) to charge tax on notional rent on property should be removed**

The same property being held in inventory is first being charged to tax under the head income from house property and then under the head profit from gains from business and leading to double taxation. In no other business or industry is the unsold or unrealized inventory treated like this for the purposes of calculating income.

The tax being paid on such notional rent is an additional burden on the developer where no actual income is coming and the inventory is stuck and on top of that tax is being charged.
Hon. High Courts of Gujarat in Neha Builders case and Allahabad in Nirmala Sahu case have ruled that units held as stock in trace would not trigger taxation under 'House Property'.

Our Suggestions: To charge tax on notional rent on property should be removed.
This move will reduce the genuine hardship faced by real estate developers.
This would go a long way in avoiding any negative impact on the real estate sector.
Even under the head Income from House property, vacant property is not charged to tax, based on notional rent.
Income cannot be taxed on a notional basis. Notional basis of taxation has been provided only with a view to determine/ compute income on a presumptive basis. Section 23(5) cannot be construed to be charging section for the head income from House Property.

➢ IMPROVING LIQUIDITY FOR DEVELOPER

A. For Developers : on-going projects

1) Scheme for restructuring of Principal and additional funding or last mile funding to Developers that will aid to complete and deliver stuck projects or projects whose underwriting numbers have changed on account of change in laws and will help in delivering on-going projects swiftly.

2) To allow all banks to take over and restructure even those developer loans that may have had a "land value margin component" in the loan amount in the existing loan structure; (it may be clarified here that no part of the existing loan would have gone into acquisition of land for the said project);

3) Until the liquidity situation eases, allowing a one-time restructuring of all developer loans including those that may have got classified as NPAs by extending the repayment schedule by two years, as a onetime concession, without classification of the account as an NPA or additional capital blockage resulting in higher cost of funding, similar to the benefits accorded to Infrastructure & Non-Infrastructure Sector (other than Commercial Real Estate);

4) To relook at the NPA recognition norm for NBFCs/HFCs and to make the same liberal by pushing recognition from 90 Days Past Due (DPD) to 360 DPD;

B. RBI to adopt the same definition for Affordable Housing

RBI to adopt the same definition for Affordable Housing as has been spelled out and make it a standard definition for the purpose of Section 80IBA of the Income Tax Act, 1961.

a. Metro Centres : Upto carpet area of 60 sq.mtrs. per house in Affordable Project;
b. Other Centres : Upto carpet area of 90 sq.mtrs. per house in Affordable Project; Unit Cost
c. Carpet area definition to be adopted as per RERA

➢ ALTERNATIVE INVESTMENT FUNDS

Ministry of Finance has already announced the Rs 25,000 Crores AIF, which shall bring relief to the only few Real Estate projects stuck for last mile funding. However, the size of Real Estate industry is huge and the required fund to complete all the stuck projects is Lakhs of Crores of rupees. As per the latest research study carried out by ANAROCK, there has been almost 44% reduction in the launch of new projects from 2014 till 2019. At the same NBFC crisis has further created a big gap in the industry for completing the project. Rs 25000 cr AIF is not sufficient, as this will not be able to cater the required for the stalled Industry.

There are many International funds/ HNI/ Financial Institution who can be brought to India for last mile funding same as announced by Ministry of finance with the support of SBICAP. However, to regain their confidence to invest in Indian Real Estate market a legal framework and necessary amendment is required under IBC to protect the rights of financing agency. The last mile funding done by any financing agency, they should be allowed to take out their last mile fund once the project inflows starts and they will be given preference over all other lenders. Similarly, all other amendments should be carried out so that Lakhs of Crores investment in form AIF's can brought in by International Funds / Financial Institution / HNI's.

This will make way for many funds to invest in Real estate which will give a big boost to complete the stalled projects which toady is stuck due to insufficient funds.